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What's sparking 16 quarters of annuity sales growth?
By Rob Burgess
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Total U.S. annuity sales increased 29% year over year to $114.6 billion in the third quarter of 2024, marking the 16th consecutive quarter of growth in the market.

That's according to preliminary results from LIMRA's U.S. Individual Annuity Sales Survey, which also noted that this most recent quarter was shy of the quarterly record set in the fourth quarter of 2023.

The rise of annuity sales over the past few years
In the first nine months of 2024, total annuity sales increased 23% to $331.2 billion.

Here are some specific annuity sales results:

- Fixed-rate deferred (FRD) annuity sales totaled $40.7 billion in the third quarter, an 18% increase from third-quarter 2023 results. Year to date, FRD sales totaled $124.4 billion, up 17%.
- For the sixth consecutive quarter, registered index-linked annuity (RILA) sales set a new quarterly record, totaling $17.3 billion in the third quarter of 2024, growing 37% from the prior year. Year to date, RILA sales were $48.2 billion, 40% higher than the same period in 2023.
- This was also yet another record-high quarter for fixed-indexed annuity (FIA) sales. FIA sales were $34.9 billion in the third quarter, up 54% from the prior year's results. To put this into perspective, just three years ago, FIA sales were $17.1 billion, half of the sales in the third quarter of 2024. Year to date, FIA sales have increased 33% to $94.2 billion.
- Single premium immediate annuity (SPIA) sales were $3.4 billion in the third quarter, 17% higher than the prior year's results. In the first nine months of 2024, SPIA sales jumped 7% to $10.4 billion.
- Deferred income annuity (DIA) sales were $1.3 billion, a 40% jump from sales in the third quarter of 2023. In the first nine months of the year, DIA sales grew 33% to $3.8 billion.
- Traditional variable annuity (VA) sales continued to post year-over-year gains in the third quarter. Traditional VA sales were $14.9 billion in the third quarter, up 14% from third quarter 2023 results. Year to date, traditional VA sales totaled $44 billion, a 12% gain year over year.

The problem with commissions
The rise of and potential issues with annuities were also the topic of discussion during a recent webinar, "How Commissioned Annuities Fail Retirees," presented by David Lau, founder and CEO of DPL Financial Partners.

Americans are living longer and retiring earlier than they expect as pensions are disappearing, said Lau. As a result, individuals are faced with having to self-fund a 30-plus-year retirement.

Lau said prior to 2020, annuity sales were mostly flat. However, over the past four years, they have nearly doubled.

Chuck Failla, founder and CEO of the Sovereign Financial Group, said the rise in annuity sales has been partially fueled by the idea that financial planners are looking for ways to ensure people don't run out of money.

"With the annuities, one of their hallmarks is having the ability to provide an understandable cash flow in advance," he said. "There's not as much deviation from what you're expecting on those cash flows. So incorporating that into financial plans is becoming more and more prevalent."

In the meantime, Lau said annuities have always been controversial and are "one of the most divisive financial products that are in the market, largely due to the commissions."

"People who don't like commissions and don't accept commissions tend to think of annuities as a four-letter word," he said. "People who like commissions tend to like annuities quite a lot, because they pay very handsome commissions generally."

In the wider industry, though, there has been a massive shift from commissions to fees, said Lau.

Failla said this change is being driven by the transfer of wealth from clients to their children, who have a higher demand for commission-free products. Commissioned annuities can't be sold by fee-only advisors as they are a conflict of interest. However, commission-free annuities can be sold by fee-only advisors.

"It's never going back the other direction," he said. "It's going to continue to move away from commissions, which I think is generally a good trend for consumers. And one of the big things that keep advisors hybrid is annuities. They're one of the last products that are still driven around commissions; still driven around that old sales culture."